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August 5, 1993

BY HAND DELIVERY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Washington, DC 20554

Re: Request of Century Communications Corp. for Stay of Effective Date of Cable Television Rate Regulation Filed August 2, 1993; MM Docket #92-266

Dear Mr. Caton:

On behalf of Century Communications Corp., we enclose herewith the original affidavit of Bernard P. Gallagher, President and Chief Operating Officer of Century Communications Corp. Please associate this affidavit with the referenced filing.

Respectfully submitted,

Robert L. James /ntm

Robert L. James

ntm
enclosure

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Declaration of Bernard P. Gallagher

1. I, Bernard P. Gallagher, am the President and Chief Operating Officer of Century Communications Corp. ("Century"). Century owns, operates and manages fifty-eight cable television systems that are subject to three hundred separate franchise agreements with local authorities in twenty-four states and in Puerto Rico. As of May 31, 1993, Century provides cable service to over 930,000 primary basic subscribers.

2. I am responsible for Century's overall operations, including its ability to service existing debt, meet and comply with various operating and financial covenants associated with such indebtedness, and attract the capital required to continue current levels of cable television service to subscribers. I am familiar with the contractual obligations of Century and its cable television systems under franchise agreements with local authorities and credit agreements with lenders and public debtholders.

3. At my direction, Century has analyzed how the Commission's proposed "benchmark" rates will affect its ability to continue to conduct its business. In particular, Century has assessed whether the proposed benchmark rates will permit it to earn a reasonable profit. Century also has studied whether it will be able to continue to meet its franchise and other contractual obligations, or continue to provide current levels of cable television service to subscribers, under the proposed benchmark rates.

4. At the present time, even without any rate reductions under the Commission's proposed regulations, Century is not earning a net profit on its cable television operations. In fact, because of expansion, franchise requirements to upgrade technical capabilities of systems and expand service areas, and rapid obsolescence of existing equipment and systems due to technology changes, Century has not reported any net income on its cable television operations in the last seven years. Century's net loss for the fiscal year ended May 31, 1992, excluding operations of its non-cable television business segments, was $44,294,000.

5. The rate currently charged by most of Century's cable television systems exceeds the benchmark rates prescribed by the Commission. Our preliminary assessment is that, under the benchmark method (assuming no change in the number of customers or selection of services), Century's regulated cable television systems would be required to reduce current rates by up to fifteen percent (depending on the particular system). Should such rate reductions be implemented, Century's revenues would be expected to be reduced by approximately fifteen to thirty million dollars annually, which would further contribute to Century's ongoing losses from its cable television operations. Those substantial revenue losses would cause serious and irreparable harm to Century.

6. The projected revenues Century would receive under the benchmark rates could be insufficient to generate sufficient income to cover all of Century's operating and capital expenses and would have negative impact on Century and its systems--and, ultimately,

on the level of service to its subscribers. Additionally, the benchmark rate, because it is based upon rate structures developed in an unregulated market, will not permit Century to recover the substantial costs of regulation, including customer service costs incurred in the transition, the cost of compliance with the regulations (including consultant and expert fees), costs of implementation (including costs associated with any necessary changes in program offerings, tiering and marketing), and the expected increased cost of capital associated with a regulated market.

7. Based on Century's present assessment with respect to one system (serving approximately 92,000 subscribers) in which Century holds an ownership interest, implementation of the benchmark rates could provide insufficient income to permit that system to comply with loan covenants for a $68.5 million outstanding obligation, risking a default.

8. Default on loan covenants caused by implementation of benchmark rates could damage Century's banking and credit relationships, and could adversely affect its ability to obtain future financing and attract capital investment.

9. In addition, many of Century's cable systems have agreements with local franchise authorities requiring expansion of service to additional subscribers on specified timetables, or requiring future service upgrades to increase the quality and number of channels within specified dates. Some of those franchise agreements also require Century to make additional public,

educational or governmental access channel and other payments ranging up to $375,000, which obligations will become due in late 1993 or succeeding years. The imposition of benchmark rates will limit future revenues, the expectation of which was the basis for those franchise agreement commitments. As a result, Century would be denied the opportunity to become profitable and would in fact incur even greater losses.

10. The so-called "cost of service" method does not alleviate the harm to Century of complying with the Order. The Commission has not yet released any proposed regulations for "cost of service" determinations. Therefore, Century cannot determine what costs may be recovered or what rate of return it can expect to obtain. Century and its lenders cannot gamble on the uncertain outcome of electing to initiate a "cost of service" proceeding when the rules or standards for measuring "cost" have not been developed, and the resulting rates might therefore lead to even greater losses than those projected under the benchmark formula.

11. Further, regulations provide that portions of Century's rate structure will be evaluated by different regulatory authorities, i.e., the local franchise authority for the basic tier and the Commission for all other levels of regulated service. Without specific guidelines and standards for evaluation, the results for the "cost of service" showing are subject to inconsistent results with regard to the same group of offerings to a single customer base. Even with such guidelines, this bifurcated process would be subject to inconsistent determination which would

result in material market dislocation. Such structure effectively eliminates "cost of service" as a viable alternative for Century.

12. Additionally, any "cost of service" showing before local franchisors will entail substantial time and expense, particularly in the absence of regulations on what costs may be recovered. "Cost of service" proceedings before local franchisors will require engagement of outside consultants and experts. Due to the fact that most franchisors do not have municipal or administrative procedures in place for such "cost of service" proceedings, the delays likely to be encountered are substantial. Century estimates that each "cost of service" proceeding required to be undertaken before local franchisors will require Century to expend hundreds of thousands of dollars, with no assurance that such expenses ever would be recoverable.

13. In addition, implementation of the regulations will cause irreparable harm to Century's good will and business reputation with its customers. As a result of the regulations, Century will be required to make major changes in the services it offers to customers, including changes in tiering, channels and billing. The disruption and confusion caused by such restructuring will not be alleviated if the regulations are later held invalid, as the damage to Century's relationships with its customers will already have been done.

I declare under penalty of perjury that the foregoing is true and correct.

Dated 2nd day of August, 1993, in New Canaan, CT.

Bernard P. Gallagher

Bernard P. Gallagher